

## **Export News and Opportunities**

Every U.S. exporter wants to get paid. However, credit can make or break a deal. It can shift the advantage to you or to your competitor. That's why many exporters turn to U.S. Department of Agriculture's (USDA) Export Credit Guarantee Programs. With USDA's guarantee behind the credit, you can arrange competitive financing with less risk. Your buyers may benefit too, from longer terms and lower rates. In FY 2002, USDA has made available over \$4 billion in credit guarantees to facilitate sales to selected developing countries, Western Europe, Japan, Hong Kong, and Taiwan. Invest the time to learn more about the Export Credit Guarantee Programs, (GSM-102) and Supplier Credit Guarantee Program (SCGP), to increase your sales and lower your risks. Use GSM and SCGP to avoid possible importer and foreign bank defaults on payments and ensure that American farm and food products continue to move to markets around the world. USDA does not provide financing, but it guarantees payments due to U.S. exporters in case the foreign banks or importers default.

You may learn more about GSM-102 and SCGP regulations, country specific press releases and program announcements, and a Monthly Summary of Export Credit Guarantee Program Activity on the Internet at:

**<http://www.fas.usda.gov/export.html>**

### **GSM-102**

On February 7, USDA amended the GSM-102 program for the Southeast Asia Region for fiscal year 2002. The amendment increases the allocation from \$90 million to \$190 million. The Southeast Asia Region includes Indonesia, Malaysia, Papua New Guinea, the Philippines, Singapore, Thailand and Vietnam. All other terms and conditions as previously announced remain the same. The previous FAS announcement pertinent to this allocation is PR 0294-01.

Also on February 7, USDA amended the GSM-102 program for the Caribbean Region for fiscal year 2002. The amendment increases the allocation from \$120 million to \$220 million. The Caribbean Region includes Barbados, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, Netherlands Antilles, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago. All other terms and conditions as previously announced remain the same.

On February 4, USDA amended the GSM-102 program for Mexico for fiscal year 2002. The amendment changes the credit terms from 2 years to 3 years on applications received for guarantee coverage on or after this date of the program announcement. The total FY 2002 allocation for coverage to Mexico under the GSM-102 program remains unchanged at \$1.0 billion. Of this amount, \$500 million is allocated, and \$500 million remains unallocated.

The GSM-102 program makes available credit guarantees for sales of U.S. agricultural commodities overseas. USDA does not provide financing, but guarantees payments due from foreign banks. USDA typically guarantees 98 percent of the principal and a portion of the interest. The GSM-102 program covers credit terms from 90 days to 3 years.

Under the program, once a firm sale exists, the qualified U.S. exporter applies for a payment guarantee before the date of export. The U.S. exporter pays a fee calculated on the dollar amount guaranteed, based on a schedule of rates applicable to different lengths of credit periods. The CCC-approved foreign bank issues a dollar-denominated, irrevocable letter of credit in favor of the U.S. exporter, ordinarily advised or confirmed by the financial institution in the United States agreeing to extend credit to the foreign bank. The U.S. exporter may negotiate an arrangement to be paid as exports occur by assigning the U.S. financial institution the right to proceeds that may become payable under the guarantee, and later presenting required documents to that financial institution. Such documents normally include a copy of the export report. If a foreign bank fails to make any payment as agreed, the exporter or the assignee may file a claim with USDA for the amount due and covered by the guarantee. USDA will pay the U.S. bank and will take on the responsibility of collecting the overdue amount from the foreign bank.

### **Supplier Credit Guarantee Program**

On February 7, the USDA amended the SCGP for the Southeast Asia Region under fiscal year 2002. The amendment increases the allocation from \$50 million to \$150 million. The Southeast Asia Region includes Indonesia, Malaysia, the Philippines, Singapore and Thailand. All other terms and conditions as previously announced remain the same. The previous FAS announcement pertinent to this allocation is PR 0324-01.

On January 30, the USDA authorized \$10 million in supplier credit guarantees for sales of U.S. agricultural commodities to South Africa under the SCGP for fiscal year 2002. Exporters may apply for credit guarantees on a first-come, first-served basis to cover sales of any of the commodities specified in the GSM list of commodities published in FAS program announcement PR 0096-01, issued March 20, 2001, or as superseded. The latest commodity list can be obtained by accessing the FAS home page as specified below. The allocation does not assign dollar amounts to any of the commodities specified in the GSM list of commodities, providing buyers and sellers maximum flexibility in arranging the size of their transactions within the scope of the overall allocation.

On January 28, USDA clarified information required in applications for the SCGP. FAS program announcement PR 0029-02 provides information to more fully identify the obligor of the payment guarantee and payment instrument, as well as provide necessary information under 7 CFR part 1493, subpart D, Section 1493.520(a) wherein CCC will provide notification to the importer of CCC's rights under the subrogation agreement to recover all moneys in default where CCC has made payment of loss to the exporter or the exporter's assignee.

The SCGP is unique because it covers short-term financing extended directly by U.S. exporters to foreign buyers and requires that the importers sign a promissory note in case of default on the CCC-backed payment guarantee. The SCGP emphasizes high-value and value-added products, but may include commodities or products that also have been programmed under the GSM-102 program.

The SCGP encourages exports to buyers in countries where credit is necessary to maintain or increase U.S. sales but where financing may not be available without CCC guarantees. Under the SCGP, CCC guarantees a portion of payments due from importers under short-term financing (up to 180 days) that exporters have extended directly to the importers for the purchase of U.S.

agricultural commodities and products. These direct credits must be secured by promissory notes signed by the importers. CCC does not provide financing but guarantees payment due from the importer.

### **GSM-102 and SCGP**

The following tables present the FY 2002 GSM-102 and SCGP for which USDA has allocated credit guarantees for sales of U.S. horticultural products. The table also includes horticultural sales (exporter applications received) that have been registered under GSM-102 and SCGP. For most countries and regions, exporters may apply for credit guarantees on a first-come-first-served basis to cover sales of any of the eligible commodities published in FAS program announcement PR 0096-01, issued March 20, 2001 or as superseded. The following horticultural products are eligible under the export credit guarantee programs: dried fruit; fresh fruit; frozen fruit; canned fruit; 100-percent fruit juices; fruit and vegetable concentrates, pastes, pulps and purees; honey; hops or hops extract; beer; tree nuts; fresh vegetables; canned vegetables; dried vegetables; wine; and brandy. The General Sales Manager will consider requests to establish an SCGP and/or GSM Program for a country or region or amend an authorized program to include horticultural commodities and products that are currently not eligible.

*(For further information on the SCGP or GSM-102 Program for horticultural commodities, contact Yvette Wedderburn Bomersheim on 202-720-0911 or Rochelle Foster on 202-720-2936).*

## FY 2002 SCGP COVERAGE

Country	Commodity	Announced Allocations	Exporter Applications Received	Balance
		--coverage in millions of dollars--		
Algeria		10.00	0.00	10.00
Baltic Region		20.00	0.00	20.00
Caribbean Region		10.00	0.75	9.25
Central America Region		50.00	11.03	38.97
Central Europe Region		20.00	0.00	20.00
China/Hong Kong Region		50.00	0.01	49.99
	Wine (180)		0.01	
Egypt		20.00	6.10	13.90
	Fruit, Fresh (180)		0.70	
India		25.00	0.00	25.00
Israel		20.00	0.00	20.00
Japan		50.00	0.00	50.00
Kazakhstan		15.00	1.42	13.58
Kenya		2.00	0.00	2.00
Korea		50.00	0.34	49.66
	Fruit, Canned (180)		0.07	
	Fruit, Fresh (180)		0.20	
	Wine (180)		0.07	
Mexico		0.00	37.44	(37.44)
	Fruit, Fresh (180)		0.03	
	Wine (180)		0.01	
Poland		10.00	0.00	10.00
Russia		20.00	0.90	19.10
South America Region		20.00	0.08	19.92
Southeast Asia Region		50.00	46.74	3.26
	Fruit, Fresh (180)		0.20	
	Fruit Juice Concentrate (180)		0.01	
	Wine (180)		0.01	
Southeast Balkans Region		75.00	0.30	74.70
Southeast Europe Region		20.00	0.00	20.00
Sri Lanka		10.00	0.00	10.00
Taiwan		50.00	0.00	50.00
Turkey		10.00	0.00	10.00
West Africa Region		35.00	0.90	34.10
Western Europe Region		50.00	0.00	50.00
Yemen		10.00	0.00	10.00

**FY 2002 GSM-102 COVERAGE**

<b>Country</b>	<b>Announced Allocations --coverage in millions of dollars--</b>
Algeria	50.00
Baltic Region	15.00
Caribbean Region	120.00
Central America Region	250.00
Central Europe Region	10.00
China/Hong Kong Region	300.00
Dominican Republic	25.00
East Africa	5.00
Egypt	100.00
India	25.00
Jordan	10.00
Kazakhstan	10.00
Korea	330.00
Malaysia	30.00
Mexico	500.00
Morocco	10.00
Philippines	100.00
Poland	25.00
Romania	25.00
Russia	20.00
South America Region	600.00
Southeast Asia Region	90.00
Southeast Europe Region	25.00
Southern Africa Region	50.00
Sri Lanka	35.00
Thailand	100.00
Tunisia	20.00
Turkey	345.00
West Africa Region	14.00